

# The Accounting Historians Notebook

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# The Accounting Historians Notebook

Vol. 16, No. 1

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Spring, 1993

## HALL OF FAME HISTORY CONFERENCE: A REPORT

by

*Thomas J. Burns*

*The Ohio State University*

The Academy held its annual research conference on "U.S. Accounting History: 1965-1990," an Accounting Hall of Fame symposium co-sponsored with The Ohio State University (where the Hall is located) on November 20-21, 1992. The conference consisted of three panel discussions; each one on U.S. accounting history from a different perspective: academic, industrial, and professional. The distinguished panelists who helped create much of this history included ten Accounting Hall of Fame members: Robert Anthony (Harvard University); Norton Bedford (University of Illinois); Sidney Davidson (University of Chicago); Philip DeFliese (Columbia University and Coopers &

Lybrand); Yuji Ijiri (Carnegie-Mellon University); Charles T. Horngren (Stanford University); Robert K. Mautz (Universities of Illinois and Michigan); Herbert E. Miller (Michigan State University and University of Georgia); Maurice Moonitz (University of California); and David Solomons (London School of Economics and the Wharton School, University of Pennsylvania), the 1992 Hall inductee. Other panelists included the current CFO's of five large corporations: Eugene Flegm (General Motors); Gaylen Larson (Household International); Michael Sullivan (Sun Oil); Christopher Steffen (Honeywell); and John Quindlen (DuPont). Panelists from

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## PRESIDENT'S MESSAGE

### ACADEMY COMMITTEES AND TASK FORCES

The Academy year began with a productive start. The response to my request for committee participation was enthusiastic. All respondents were assigned to a committee of their choice. The committees have begun their tasks.

In addition to the committees, two task forces have been named. The Centers Task Force is chaired by Richard Vangermeersch and is to evaluate options, risks, opportunities, and costs of operating the Academy-sponsored Centers now and in the future. The Strategic Organizational Task Force, chaired by Gary Previts, is to begin a study involving changing principal organizational functions of the Academy.

Committees and task force chairs are to prepare a preliminary report for the April 24 meeting of the Trustees, Officers, and Key members in Atlanta. A complete list of committees and charges may be found elsewhere in this newsletter.

### ACADEMY MEETINGS

The Trustees, Officers, and Key Members have established that the agenda for the Academy meetings this year should be as follows: Spring Meeting - strategic planning; August Meeting - urgent business; and the Fall Meeting - committee reports. The date and location of the Spring Meeting was chosen to coincide with the Southeast Regional Meeting of the AAA. The Fall Meeting will be held at the conclusion of the Conference on Biographical Research in Accounting to be held at the University of Mississippi on December 3-4, 1993. A call for papers may be found in this newsletter.

### NATIONAL ARCHIVE FOR EDP AUDITING

Another very exciting event in the life of the Academy occurred at the beginning of 1993. A doctoral student at the University of Mississippi, Tommie Singleton, has been involved in an extensive research project locating early materials written about EDP auditing. He has interviewed the pioneers in the field and asked them to donate their materials to a National Archive for EDP Auditing to be housed at the University of Mississippi and sponsored by the Academy of Accounting Historians. Several donors have made contributions of materials. The Academy financed a trip and the rental of a truck to collect materials from Harold Weiss. Many of the documents are rare and include papers from the Big Eight firms (1950s through



1980s). Some of the books are classics. Other donations have come from Don Adams (AICPA), Stan Halper (Coopers & Lybrand), and Robert Parker (historian for EDPAA). Tommie is entering the contents of the collection into a computerized data base. Additional space has been requested in the planned new School of Accountancy building at the University of Mississippi to house this collection.

### MAJOR ADDITION TO THE VIDEOTAPE LIBRARY

The Videotape Library housed at The University of Mississippi contained approximately 50 tapes which featured interviews with major accountants. These tapes are loaned out all over the world. Recently, Gerald Searfoss of Deloitte & Touche arranged to have 127 videotapes of the Dingell Commission hearings donated to the Library. Dale Flesher is the director of the Videotape Library.

### CONFERENCE ON BIOGRAPHICAL RESEARCH IN ACCOUNTING

The highlight of the Academy year will be the Conference on Biographical Research in Accounting held at the University of Mississippi on December 3-4, 1993. The purpose of this conference is to focus on the importance of studying and assessing the influence of individuals on the development of accounting thought and practice. Please refer to the call for papers in this edition of the newsletter. The major airlines serve the Memphis International Airport which is slightly over an hour away from Oxford. Transportation will be available on campus at the Alumni Hotel. More details regarding arrangements will follow. All Academy members are encouraged to submit papers and attend the Conference.

Tonya Kay Flesher

# CALL FOR PAPERS

CONFERENCE ON

BIOGRAPHICAL RESEARCH IN ACCOUNTING

UNIVERSITY OF MISSISSIPPI

DECEMBER 3-4, 1993

SPONSORED BY THE ACADEMY OF ACCOUNTING HISTORIANS

**Statement of Purpose:** The purpose of this conference is to focus on the importance of studying and assessing the influence of individuals on the development of accounting thought and practice. The papers and the discussion will include methodologies and assessment of the impact of individuals on the development of accounting.

**Conference Structure:** Papers selected for presentation will be sent to participants in advance. Proceedings will *not* be published. Editors of several academic journals plan to attend. Papers which illustrate the use of biography or show the influence of an individual on the profession of accountancy are welcome.

**Format:** Papers must be in a form suitable for consideration by *The Accounting Historians Journal*.

**Selection Panel:** The panel that will select the papers for the conference include:

Thomas J. Burns—The Ohio State University  
Doris Cook—University of Arkansas  
James Don Edwards—University of Georgia  
Eugene Flegm—General Motors Corporation  
Dale L. Flesher—University of Mississippi  
Gary J. Previts—Case Western Reserve University  
Alfred R. Roberts—Georgia State University  
Richard Vangermeersch—University of Rhode Island

**Suggested Topics:** Although biographical subjects from throughout the world are welcome, preference will be given to papers about U.S. academic and CPA practitioners who have made unique and valuable contri-

butions to the development of accounting thought and institutions. The reason for this preference is that the conference is a prelude to the 1996 CPA Centennial program headed by James Don Edwards. A noninclusive list of possible candidates for biographical study whose lives have not been extensively documented follows:

Richard Baker	Ralph C. Jones
Andrew Barr	Robert K. Mautz
Norton Bedford	Herbert E. Miller
Harry C. Bentley	Maurice Moonitz
Donaldson Brown	Mary Murphy
Percival F. Brundage	Thomas A. Murphy
Charles Coachman	Weldon Powell
Sidney Davidson	John W. Queenan
Carl Devine	Earl A. Saliers
A. C. Ernst	J. S. Seidman
S. Paul Garner	Charles E. Sprague
Oscar Gellein	Joseph E. Sterret
Stephen Gilman	Kenneth Stringer
Paul Grady	Robert Trueblood
Charles W. Haskins	William Wernitz
Henry R. Hatfield	Arthur Wyatt
Ralph Johns	

**Submission Instructions:** Submissions should be postmarked by June 30, 1993. Revised papers must be received by October 31 for prior distribution.

Inquiries and submission of papers to:  
Tonya K. Flesher  
School of Accountancy  
University of Mississippi  
University, Mississippi 38677  
Telephone: (601) 232-7468  
Fax: (601) 232-7483

## **SCHEDULE OF ACADEMY FUNCTIONS**

### **AUGUST 8, 1993**

San Francisco Marriott Hotel

#### **MEETING OF THE TRUSTEES AND OFFICERS Pacific Suite A**

8:30 - 9:00 a.m. Continental Breakfast  
9:00 - 12:00 noon Reports and Discussion  
12:00 - 1:00 p.m. Lunch

An agenda will be mailed to you in July, 1993 regarding the meeting. For information, call Dr. Doris Cook, University of Arkansas, (501) 575-4051.

#### **PAST PRESIDENT'S DINNER**

Redwood

6:00 - 8:00 p.m.

#### **SECOND ANNUAL ACADEMY OF ACCOUNTING HISTORIAN'S RECEPTION Sunset A & B**

8:00 - 10:00 p.m.

ALL MEMBERS OF THE ACADEMY are invited to attend and enjoy the fellowship of colleagues and friends, both old and new. For information, call Dr. Doris Cook, University of Arkansas, (501) 575-4051.

### **DECEMBER 3-4, 1993**

The University of Mississippi

#### **CONFERENCE ON BIOGRAPHICAL RESEARCH IN ACCOUNTING**

Program and Registration materials to be available in the Fall, 1993. For information, call Dr. Tonya Flesher, The University of Mississippi, (601) 232-7468.

### **DECEMBER 4, 1993**

The University of Mississippi

#### **ANNUAL BUSINESS MEETING OF THE ACADEMY OF THE ACCOUNTING HISTORIANS**

Agenda and meeting details will be mailed in November, 1993. For information, call Dr. Doris Cook, University of Arkansas, (501) 575-4051.

## **THE PACIOLI SEMINAR 1994 AND FESTIVAL OF ACCOUNTING**

The Institute of Chartered Accountants of Scotland (ICAS) is sponsoring a one-day Festival of Accounting in Edinburgh. Two themes of "Measurement, Mismeasurement, and Stewardship" and "Accounting and Information Technology" are the bases for this Festival. This program will be held on March 4, 1994 in conjunction with the Netherlands Institut van Register-accountants. There will also be an exhibition demonstrating the accountant's historical and contemporary role in society. The Festival will be attended by leading accountants, business executives, and government officials.

The Academy has agreed to co-sponsor a one-day history seminar, Pacioli Seminar 1994, to celebrate the five hundredth anniversary of the publication of Pacioli's bookkeeping treatise which precedes the Festival on March 3, 1994. The Academy's decision to work with ICAS to present this seminar is consistent with its goal of greater involvement in activities to promote accounting history at an international level. ICAS's goal is to encourage greater participation of leading accounting historians as presenters and participants.

The overall project, the Pacioli Seminar 1994 on March 3 and the Festival of Accounting on March 4, is managed by Moyra Kedsle (The University of Hull), Tom Lee (University of Alabama), and Aileen Beattie (ICAS) and under the general supervision of Nigel McDonald, President-Elect of the ICAS. Inquiries may be forwarded to one of these individuals.



#### **THE ACCOUNTING HISTORIANS NOTEBOOK**

Editor: Elliott L. Slocum  
School of Accountancy  
Georgia State University  
University Plaza  
Atlanta, Georgia 30303

Secretary: Doris M. Cook  
The Academy of Accounting Historians  
Department of Accounting  
University of Arkansas  
Fayetteville, Arkansas 72701

# CALL FOR MANUSCRIPTS

## THE ACCOUNTING HISTORIANS JOURNAL

*The Accounting Historians Journal* encourages you to submit papers on subject matter related to the development of accounting thought and practice. Papers on biographical subjects and on historical method are also acceptable. Guidelines on research and a guide for submitting manuscripts may be found in *The Journal* or may be obtained from the Editors.

Manuscripts must be in English and of acceptable style and organization for clarity of presentation. The manuscript should not exceed 7,000 words. An abstract of not more than 200 words should separately accompany the manuscript. A submission fee of \$32 (U.S.) is required of non-Academy members and \$15 of Academy members. More detailed information concerning additional requirements regarding style, content, and the

submission requirements is included in the guidelines mentioned in the previous paragraph.

Submit Manuscripts to:

Dale L. Flesher  
*The Accounting Historians Journal*  
School of Accountancy  
University of Mississippi  
University, Mississippi 38677  
(601) 232-7623

For information and Other Matters,  
Contact:

William D. Samson  
*The Accounting Historians Journal*  
Culverhouse School of Accountancy  
University of Alabama  
Box 870220  
Tuscaloosa, Alabama 35487-0220  
(205) 348-2903



## THE COST HERITAGE

*The Costing Heritage: Studies in Honor of S. Paul Garner*, Monograph No. 6 was published in 1991 by the Academy of Accounting Historians to honor Dr. Paul Garner on the occasion of his eightieth birthday and his contribution to accounting. The monograph is edited by O. Finley Graves of the University of Mississippi. Its contents include the studies primarily in the history of cost accounting and two tributes to Dr. Garner.

The monograph is priced at \$15 for individual members and \$20 for institutional affiliates. Orders and inquiries may be made to: Doris M. Cook, The Academy of Accounting Historians, Department of Accounting, University of Arkansas, Fayetteville, Arkansas, 72701, USA. Checks should be made out to The Academy of Accounting Historians and accompany the order.

# SCRIP: THE ALTERNATIVE UNIT-OF-MEASURE IN COMPANY TOWNS

by  
*Roxanne T. Johnson*  
*University of Scranton*

The growth of industry in the United States evokes images of dynamic, vital, and aggressive men pursuing and finding a pot of gold at the end of some elusive rainbow. These men were variously described as sagacious, daring visionaries with an eye to the future, and, sometimes simultaneously, money-grubbing, opportunistic robber barons without a care for their employees. Indeed, the second description, and the resulting abuses of company employees, are the focus of this paper. The abuse of company employees was especially evident in the company towns built to house the laborers who supplied the human resources essential to the company and the stores associated with these towns. These abuses were masked, for a time, under the guise of paternalism.

## Influence of Paternalism

The support of paternalism was based on the belief that workers were not able to deal with the exigencies of existence and required comprehensive care off the job as well as supervision at work (Chafee 1923). In the early nineteenth century, prior to the growth of major companies, this attitude meant that firms operated essentially as banks for employees. Thus, the firms provided or paid for goods, services, or other eventualities.

When large, industrial firms began to develop, however, they were usually located far from population and commercial centers. For instance, I.E. DuPont de Nemours & Company

explosives plants in the west were located far from populated areas (Allen 1966). Although this is an obvious example, firms in other industries also found it necessary to supply the needs of employee populations. Due to the isolated locations of plants, mines, refineries, or raw materials, for example, firms built company towns and also provided all life's basic necessities to employees isolated from any other sources of commodities. The company stores helped to provide these necessities. Stores maintained by the firm were operated as either departments or subsidiaries of the "parent" company. Alternatively, some companies contracted with outsiders to operate the stores (Company 1935).

Company stores, or "pluck-me's" or "grab-all's", were operated as an active component of an entity on the basis of rational, managerial reasons (Rochester 1931). Among the various reasons for operating company stores, the most altruistic reasons were based on the idea of paternalism. However, the moneyed purposes of the entrepreneurs who ultimately ran the stores also existed. Company stores afforded an opportunity to earn additional income and to exert control over workers' lives.

## Use of Scrip

In the latter half of the nineteenth century and the early twentieth century, company stores essentially used an alternative unit-of-measure called scrip. Scrip was issued by the company as

payment to the employees and was recognized within a particular geographic community as tender, a practice introduced, fostered, controlled, and often mandated by the company. Its purpose seems to have been to keep the individual tied to the company store.

Scrip could take many forms, but it was always issued in lieu of cash. In one instance, the Sonora Exploring and Mining Company, the owner of Tubac in Southern Arizona, issued cardboard rectangles or boletas in denominations denoted by the pictures of animals (Allen 1966). The Kirby Lumber Company in Kirbyville, Texas, issued merchandise checks. These checks were pasteboard disks stamped with an amount and the name of the company. These merchandise disks would never become cash, however, unless discounted at some unrelated store for 10% to 20% of the face value of the disk (Creel 1915). In other instances metal tokens may have been used, or coupon books with detachable coupons, or various other kinds of specie (Allen 1966).

### Abusive Practices

There were instances where the discounts on scrip amounted to approximately 40% of par (Johnson 1952). Unfortunately, there were times company employees found it necessary to produce cash in this way. Employees leaving the company were paid in scrip and had to exchange it for cash that could be used elsewhere. Also, cash was needed to pay for services or merchandise which were not available at the company store.

The company store would only accept the company's scrip for merchandise, which was habitually priced 5% to 20% higher than competitors'. The discount charged by other stores was partly due to the exchange service offered by these other merchants but was also because these merchants were

forced, in turn, to deal with the higher priced company store. This practice sometimes resulted in two different prices, one when scrip was used and one for cash transactions (Company 1935).

In some cases, the employee only received a piece of paper called a "bob-tail check" as payment for wages. This check represented the amount earned as wages, less any expenses contracted through the company store (Rochester 1931). The result, most often, was a zero or negative balance, another means of tying the employee to the company. Due to this practice, easy credit was available to the employee and often kept him/her perpetually in debt to the company, whether out of necessity or, unlikely under the circumstances, frivolity. Complicating this situation was the actual pay period, which could range from weekly to monthly and, at its most abusive, semiannually. Often implicit in the above scenario was collusion between the company store and the payroll department. Store personnel would often have ready access to the earnings records of the employees for determining credit eligibility (Company 1935). To make matters worse, the employee was not able to seek employment elsewhere due to misfortune, gullibility, or other reasons for indebtedness to the company store. Eventually, efforts were made to rectify these abuses. These efforts were not very effective, however.

### Efforts to Reform

The first attempts to counteract the abuses evident in the company town system occurred at the state level. The Pennsylvania General Assembly passed an act in 1881 which precluded the issuance of scrip that could not be redeemed at its face value, plus interest where appropriate, for cash on demand. Later, in 1891, a law

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# IN MEMORIAL TO AN ACCOUNTING HISTORIAN

Dr. Richard H. Homburger

Dr. Richard H. Homburger, a charter member of the Academy and a member of the 1970 AAA History Committee, passed away in 1991. Dr. Gary Previts, Case Western University, said of Dr. Homburger, "His works were among those that sustained and encouraged historians in the years before the Academy was formed." During his lifetime he made many valuable contributions to the accounting profession and accounting history, and it is because of these contributions that he is being recognized now.

Dr. Homburger was born in Karlsruhe, Germany on August 15, 1914. He became a banker there, but during Hitler's reign, Dr. Homburger and his wife fled from Germany. Dr. Ralph Estes, a colleague at Wichita State University, wrote that this escape from Nazi Germany in the 1930s left Dr. Homburger with a deep distrust of authoritarian regimes and is perhaps why he became a card-carrying member of the ACLU and a devoted Unitarian when he arrived in the United States.

Dr. Homburger completed his studies at the Sorbonne in 1934 and received his J.D. from the Faculty of Law & Political Science, University of Zurich in 1937. He then later furthered his education with a M.S. from the Graduate School of Business at Columbia University in 1946. After receiving his M.S., Dr. Homburger became the head of the business administration department at West Virginia State College and served there from 1946-1956. In 1956 he moved to Wichita State where he became first an associate professor of accounting and in 1961 a professor. Dr. Homburger became the Coordinator of Graduate Studies in

Accounting and Business Education for Wichita State in 1967 and continued to serve until his retirement in 1979.

Dr. Homburger was described by Ralph Estes as "a delightful colleague who had a pixie-ish, low-key sense of humor that could produce wonderful surprises." Dr. Estes also wrote that Dr. Homburger's graduate "accounting theory" class was more like a seminar in accounting history because a business school could accept an accounting theory class but would have been confused by a class on accounting history.

Dr. Homburger authored several professional publications over the years. Dr. Douglas Sharp, also a colleague at Wichita State, provided along with other information, a selected list of Dr. Homburger's many publications. Notably among the first were "Study of History-Gateway to Perspective" and "Forfeited Capital Stock Subscriptions" in the *Accounting Review* in 1948 and 1949, respectively. His other publications include "Sources of Accounting History," *Supplement to 1979 Accounting Review Supplement*, "The Audit of Historical Records as a Learning Device in Studying Environmental and Socio-Economic Influences on Accounting," Working Paper #2, *Academy of Accounting Historians*, 1974, "English Translation of Paper on the Development of Auditing in Germany, by Rose-Elizabeth Gassman," Working Paper #4, *Academy of Accounting Historians*, 1974, and "English Translation of Paper on the State of Bookkeeping in Upper Germany at the Time of the Fuggers & Welsers, by Prof. Dr. Hermann Kellenbenz," Working Paper #7, *Academy of Accounting Historians*, 1974.



## AHRC RECEIVES FIRST OF BEAMER PAPERS

Elmer G. Beamer, retired partner of Deloitte, Haskins & Sells, sent the first installment of papers donated to the Accounting History Research Center. Included are files related to the 1969 *Report of the Committee on Education and Experience Requirements for CPAs*. This was commonly known as the "Beamer Report". Among the major recommendations were the recognition of *Horizons for a Profession* as the basis for

delineating the common body of knowledge for beginning CPAs, and the need for five years of college study to obtain the common body of knowledge. Copies of articles on education requirements written by Beamer and some materials related to his years at Haskins & Sells and DH&S were also included. Also of interest, were binders that contained photos and short bios of partners of H&S (e.g., Foye, Carter, Queenan, and others).

## TALK ABOUT MEMBERS

### BURNS RECEIVES PROFESSORSHIP

Dr. Thomas J. Burns, Professor at The Ohio State University and Past President of the Academy, was named Deloitte & Touche Professor of Accounting in November, 1992. Chairman and Chief Executive Officer of Deloitte & Touche, J. Michael Cook, presented the Professorship to Dr. Burns at a breakfast held at the Hilton Inn North, Columbus, Ohio, on November 21, 1992. Many friends, including representatives of Deloitte & Touche, former students, and colleagues, were present to participate in the recognition of Dr. Burns' many years of service and accomplishment.



### ARAI TO LECTURE IN UNITED STATES

Professor Kiyomitsu Arai, Waseda University, has been selected as a 1993 Distinguished International Visiting Lecturer in the United States for the Fall, 1993. The selections of the distinguished professors and the universities to be visited are made by the AAA's International Faculty Exchange Committee. This very valuable AAA program is financially supported by the Exxon Corporation.

Dr. Arai is Professor of Accounting in the School of Commerce at Waseda University. He received his master of commerce and doctorate from Waseda University. Dr. Arai has taught at Waseda University since 1958, served as the Director of the Research Institute for Industry and Business at the University from 1980 to 1982, served as Dean of the School of Commerce from 1982 to 1984, and served as Dean of the Graduate School of Commerce from 1984 to 1986. He has also taught as a visiting scholar at the University of Florida.

Dr. Arai has authored five books, translated several accounting textbooks into Japanese, and authored approximately 250 articles. His professional affiliations are extensive and include the American Accounting Association since 1960, the Academy of Accounting Historians since 1975, Beta Alpha Psi, and the Japan Accounting Association. His service career includes Director of the Japan Accounting Association, President of the Japanese Association for International Accounting Studies, member and Chairman of the Business Accounting Deliberation Council of the Ministry of Finance, Japan, member of the Commercial Law Division of the Legislative Council in Ministry of Justice in Japan, member of the Science Council of Japan, member of the School Accounting

Standards Committee of the Ministry of Education in Japan, and member of the Advisory Committee on International Accounting Standards of the Japanese Institute of CPAs.

The lecturer tour will take place in October, 1993. Dr. Arai will visit and lecture at Arizona State University, California State University-Chico, University of Oregon, University of San Diego, Stanford University, and the University of Washington.

### NEW TRUSTEES AND CHAIRMAN

Three new Trustees of the Academy have been elected for the term of 1993-95. These are Thomas J. Burns, The Ohio State University; Eugene H. Flegm, General Motors Corporation; and Yoshihiro Hirabayashi, Osaka City University. Gene Flegm was also unanimously elected to serve as the Chairman of the Trustees, 1993-95.

### ZEFF AND FLESHER AAA HISTORY BOOKS AVAILABLE

The American Accounting Association announces that two books on the Association's history are available from the AAA administrative office. Stephen A. Zeff and Dale L. Flesher, long-time members and contributors to the Academy of Accounting Historians, each authored one of the books. The first, by Dr. Zeff, entitled, *The American Accounting Association—Its First 50 Years 1916-1966*, was written to celebrate the Association's 50th anniversary and has now been reprinted and may be ordered. The second, *The Third-Quarter Century of the American Accounting Association 1966-1991*, was written by Dr. Flesher in celebration of the Association's 75th anniversary. Each volume may be ordered from the administrative office at a cost of \$10 per copy or \$15 when purchased as a set.

## ACCOUNTING HISTORY PAPERS AND PANELS PRESENTED AT REGIONAL AAA MEETING

### MID-ATLANTIC

"The Use of Historical Analysis to Provide Alternatives to Authoritative Justifications of Accounting Standards"

James J. Tucker, Widener University  
"Accounting for Unusual and Infrequent Losses in the Mississippi Lumber Industry 1906-1917: How Theory Follows Practice"

Laurie Henry, University of Mississippi  
"Double Entry Bookkeeping in the Lombard Tradition The Bank of Andreotto Del Maino 1394-1400"

Alvaro Martinelli, Appalachian State University

### NORTHEAST

History Panel: "The Excitement of Examining Old U.S. Textbooks in Accounting from 1796 to 1900: Come Browse Through History"

John Catchart, Bentley College

Richard Vangermeersch, University of Rhode Island

"Clay Tokens to Global Harmony: The Evolution of Accounting"

Biagio Coppolella, University of Bridgeport

"Distribution Costs and the Dennison Manufacturing Company: 1920-1950"

Gloria Vollmers, University of Maine

Horace Givens, University of Maine

"Isolating Culturally-Driven-Egyptian-Arab GAAP as a Basis for Achieving the International Harmonization of Accounting Standards"

Samir Bibawy Fahmy, St. John's University

William Thomas Stevens, St. John's University

### OHIO

"A Historical Perspective on the Influence of the Annual Operating Budget on Local Government Financial Reporting"

James R. Emore, The University of Akron

### SOUTHEAST

"Andrew Barr and the SEC: 1938-1972"

Dale L. Flesher, University of Mississippi

Gary John Previts, Case Western Reserve University

"Tax Legislation in Times of U.S. Military Involvement"

Margaret Hoskins, Henderson State University

Tonya K. Flesher, University of Mississippi

Dale L. Flesher, University of Mississippi

"The Origins of EDP Auditing"

Tommie Singleton, University of Mississippi

Dale L. Flesher, University of Mississippi

Judith Cassidy, University of Mississippi

"John Sharp Williams' Contributions to Early Tax Law"

George Schmelzle, University of Detroit

Tonya K. Flesher, University of Mississippi

Thomas Buttross, Wayne State University

"A History of the AAA Information Systems/Management Advisory Services Section"

Dale L. Flesher, University of Mississippi

### SOUTHWEST

"Stuart Cameron McLeod—Early Management Accounting Leader"

Dale L. Flesher, University of Mississippi

"Financial Statement Reporting: The Improvements Resulting from the Great Depression"

John B. Duncan, University of Mississippi

Dale L. Flesher, University of Mississippi

"Accounting in Africa, 1837"

Michael F. van Breda, Southern Methodist University

"A Review of the Financial Reporting Standards Preceding the Savings and Loan Crisis"

Cynthia L. Taylor, University of Arkansas, Little Rock

Vicky Arnold, University of Arkansas, Little Rock

### WESTERN

"The Tax Burden of Employees and Self-Employed Individuals 1960-1990"

Michael Clegari, University of Arizona

"Transformation of a Stereotype: 30 years of Accountants In The Movies"

Victoria Beard, University of North Dakota

# ACCOUNTANTS' WRITING TOOLS

by

Kenneth S. Most

*Florida International University*

Thanks to Professor Denise Schmandt-Besserat, we now believe that we understand the origins of writing, and accountants are eager to associate their art with early attempts to demonstrate accountability. Very little attention, however, has been devoted to the medium, as distinct from the message, and in particular, to the tools and materials accountants use. One hundred years ago an English journalist pronounced "In so far as the perfection of materials for writing is concerned, we may have little to hope for in this country." Paper and ink, he thought, were so perfectly adjusted to their purpose that it was hard to imagine how they could be improved. There is an area here for accounting research.

Did our primitive ancestors first scratch observations on a tree, or a rock? If so, they must have discovered that twigs wear out quickly, and this may have given impetus to the adaptation of flint and later iron, usually attributed to the need for better weapons. We are now accustomed to the fact that the beginnings of civilization are recorded in commercial documents, rather than histories of great battles or love affairs, so that this conjecture is not beyond belief.

Thousands of years later an unknown genius, discouraged by the prohibitive cost (in labor) of shaping engraving tools, had the economical idea of making marks on soft clay and then baking it hard, so that the record would survive at least until the tablet was broken. Widely used by accountants, this technique has been referred to as the earliest example of cooking the books. Many such commercial records have been found in the Middle East, including bills of lading made out in this way, which cannot have aided sea captains to negotiate the dangers of Peleponnesus. Perhaps this explains why ships so often failed to make it to their destinations.

Other inexpensive alternatives to stone

and iron were attempted in different parts of the world. Nations lucky enough to possess lead found it easier to work, although its weight persuaded them to postpone the creation of a postal system. Flat shells proved useful, and the Athenian practice of ostracism arose from the custom of inscribing certain votes on oyster shells. It was secrecy, however, and not economy that caused Histiaeus to shave a man's head and engrave a message on his skull. After the hair grew back, the man was sent to Miletus to be shaved and read; a true locomotive letter.

Leaves suggested themselves first in the orient, where many large, smooth varieties are to be found. The Cumaeen Sybil's prophecies were said to have been written on leaves. The inconvenience of this medium for permanent records is evident, and the drier bark of trees was also used, especially thin, smooth inner bark which is coherent, strong and durable. The Saxons are said to have used the bark of the beech tree, called by them "boc," and this may be the origin of the word "book." The Latin word for a book certainly means "the inner bark" and thus "library" reminds us of old forms of writing materials. Bark tablets were prepared by polishing, and a celebrated king of Persia is said to have entertained himself in the field with bark and knife.

Domestication of bees to produce honey led man to discover the literary uses of wax. The idea of spreading wax over a thin board, to give it strength, came comparatively late. Themistocles is reported to have written on wax tablets, but he apparently knew it to be a perishable material, because his letter to the Ionians was written on stone. The Romans never found this out, and much of their written output has been lost. Wax tablets were inscribed using a

*continued on page 22*

## WILLIARD E. STONE LIFE MEMBER OF THE ACADEMY

In August, 1991, The Academy of Accounting Historians elected Dr. Williard E. Stone to Life Membership in recognition of his long service to the Academy and to the community of scholars in Accounting History. At that time, only a brief notice of the election was published. Dr. Richard Vangermeersch was commissioned to provide the following comments in honor of Dr. Stone.

Williard Stone rose through the ranks in accounting academics the old-fashioned way—through hard work over a long period of time. A mathematics graduate of Penn State in 1933, he joined the accounting field as an auditor for the Commonwealth of Pennsylvania in that year. He was a principal auditor with the U.S. General Accounting Office in 1943. Williard received the CPA Certificate in 1945. In 1947, he became a partner in Stone and Fisher, CPAs, in Philadelphia and started his teaching career with the Wharton School, in which he received his M.A. in Finance in 1950 and a Ph.D. in Management and Economics in 1957. From 1950 to 1952, he also was assistant to the President and Controller for Rollie Manufacturing Co. In 1960, Williard became Chairman of the Accounting Department at the University of Florida. He chaired that department for 14 years and retired from the University of Florida in 1980. He held visiting posts in such schools as the University of New South Wales, The University of Virginia, the University of Port Elizabeth in South Africa, the University of Kentucky, and Deakin University in Australia.

Williard, along with Dr. Gary Previts and Paul Garner, founded the Academy of

Accounting Historians in 1973. He was Manuscript Editor of *The Accounting Historians Journal* from 1973 to 1980. While Williard was a frequent contributor to the accounting literature since 1956, it was only in 1969 that he started to publish historical work with “Antecedents of the Accounting Profession” published in *The Accounting Review*. With the start of the Academy, Williard also began to produce a prolific stream of historical pieces. An example of these are “Accounting Records Reveal History: The Virginia Cobbler” in the July, 1976 issue of the *Journal of Accountancy*. In 1982, he and Gary Previts served as editors of the Yushodo American Historic Accounting Literature. Williard also conveyed his personal library of over a thousand books to the Osaka Genkins Stone Library at the University of Osaka. Many of his books were autographed. Williard continues to be an active contributor to the literature of accounting. He was recently ranked as the eighth most prolific writer in 24 academic journals.

Williard helped to make historical research in accounting an acceptable academic endeavor. Those who were not present in the 1960s and early 1970s probably fail to realize the struggle it was to publish pieces in accounting history. Williard’s efforts and lifetime interests in history and geology have been successful, and here we are today. Personally, as a Ph.D. graduate of the University of Florida, I am proud to write these comments in honor of a fine gentleman and scholar, Williard E. Stone.

Richard Vangermeersch  
University of Rhode Island



## HISTORY IN PRINT

Extensive research in accounting history is published in periodicals and books other than those of The Academy. The knowledge of these works can be of value to Academy members for personal development and research. Readers of *The Notebook* are encouraged to help the editor to locate the many publications involving accounting history which should be listed in this column. Readers in Asia and Australia may send their suggestions to Dr. Robert Gibson, School of Management, Deakin University, Victoria 3217 AUSTRALIA, who graciously acts as intermediary.

*Accounting History*, Vol. 4, No. 2, 1992, (Selected Articles):

Maria Appa, "History of Accountancy at La Trobe," pp. 33-39.

Gary D. Carnegie and Graeme L. Wines, "Inconsistent Standard Setting: The Case of Asset Recognition Criteria in Australia (1970 to 1992)," pp. 23-32.

John H. Cooney, "State Grants and the Common Interest," pp. 47-56.

David Smith, "Historical Error and the Status of Absorption Costing," pp. 1-22.

Victoria J. Wise, "PROFILE OF A BUSINESS DISCIPLINE: A profile of the School of Business at the Phillip Institute of Technology, Melbourne and the development of the Bachelor of Business program," pp. 41-45.

*Critical Perspectives on Accounting*, Vol. 1, No. 3, September 1990, (Selected Articles):

D. A. R. Forrester, "Rational Administration, Finance and Control Accounting: The Experience of Cameralism," pp. 285-317.

W. N. Funnell, "Pathological Responses to Accounting Controls: The British Commissariat in the Crimea 1854-1856," pp. 319-335.

C. Humphrey, P. Moizer and S. Turley, "The Audit Expectations Gap—Plus ça Change, Plus c'est la Meme Chose?" *Critical Perspectives on Accounting*, Vol. 3, No. 2 (June, 1992), pp. 137-161.

D. M. Lawrenson, "Britain's Railways: The Predominance of Engineering Over Accountancy During the Inter-war Period," *Critical Perspectives on Accounting*, Vol. 3, No. 1 (March, 1992), pp. 45-60.

George Lisle, Editor, *Encyclopaedia of*

*Accounting*, Osaka: Nihon-Shoseki, Ltd., 1991, originally published Edinburgh: William Green & Sons, 1903-1907, pp. 4,076, 8 vols.

Barbara D. Marino, Alan G. Mayper, and Ram S. Sriram, "Audits in the United States in 1927: A Critical and Historical Perspective," Third Interdisciplinary Perspectives on Accounting Conference, Volume Two, July 8-10, 1991.

Third Interdisciplinary Perspectives on Accounting Conference, Volume One, July 8-10, 1991, (Selected Articles):

Teresa A. Hammond, "The Marginalization of African-American Public Accountants 1900-1965," Article 5.

Herbert G. Hunt III and Raymond L. Hogler, "An Institutional Analysis of Accounting Growth and Regulation in the United States," Article 9.

Third Interdisciplinary Perspectives on Accounting Conference, Volume Three, July 8-10, 1991, (Selected Articles):

James G. Guthrie and Lee D. Parker, "Performance Auditing in the Australian Federal Public Sector: A Mutable Masque," Article 3.

Graham Thompson, "Accounting for Economics and the Economy: A preliminary exposition," Article 9.

Third Interdisciplinary Perspectives on Accounting Conference, Volume Four, July 8-10, 1991, (Selected Articles):

Peter Armstrong, "The Influence of Michel Foucault on Historical Research in Accounting".

Patricia Arnold and Theresa Hammond, "The Role of Accounting in Ideological Conflict: Lessons from the South African Divestment Movement," Article 2.

Derek Bailey, "Rise and Decline of Soviet Accounting," Article 14.

Linda M. Kirkham and Anne Loft, "When is the Accountant not an Accountant? Gender and Professionalism in England and Wales 1870-1930," Article 7.

Stephen A. Zeff, "Arthur Andersen & Co. and the Two-Part Opinion in the Auditor's Report 1946-1962," *Contemporary Accounting Research*, Vol. 8, No. 2, (Spring, 1992), pp. 443-467.

# ACCOUNTING PROCEDURES AND TECHNIQUES IN THE LATE EIGHTEEN HUNDREDS

by

John S. Ribezzo

Community College of Rhode Island

## INTRODUCTION

Upon browsing through a stack of books at a used book sale, I came upon the New Bryant & Stratton Counting-House Book-Keeping, copyright 1878. Out of curiosity, I purchased this book and placed it on my bookshelf for future reference.

The textbook was written by Silas Packard for use in the curriculum of the chain of Bryant and Stratton Business Colleges. It was a revision of Bryant and Stratton's Counting-House Book-Keeping, first published in 1863. The curriculum of the college was designed to educate students in the field of Office Practices. Science of Accounts was the title of the core program, which included the following courses: bookkeeping, business law, commercial arithmetic, practical penmanship, and business correspondence (Quinney).

I would like to share my findings on the accounting procedures and techniques used to instruct students of that period. In so doing, I will present a problem illustrating the accounting methods utilized at that time. It will be shown that certain procedures then in use differ substantially from those required by current Generally Accepted Accounting Principles (GAAP).

## Pedagogical Approach

Packard stated the object of his book as follows: "The aim has been to make thoughtful and intelligent book-keepers, rather than routing clerks; to have each step so clearly the expression of an idea that the interest once awakened will not grow lax, but rather increase to the end."

He gave four reasons to justify why business records should be maintained: (1) to provide an interesting and instructive history of the business, (2) to promote order and exactness, (3) to maintain control over business operations, and (4) to provide a satisfactory means for determining the financial condition of the business.

## A Procedural Approach Presents the Application

Chapter four, entitled *Business Record*, is the focal point of the entire textbook, because the topics of double-entry bookkeeping and

"basic" record-keeping are covered. Following is a description of each step in the accounting cycle as outlined in the chapter.

## Day-Book

The Day-Book is a chronological listing of transactions, explaining in narrative form, the specifics of each. An example of a typical entry in the Day-Book is as follows:

<u>Date</u>	<u>Record of Transaction</u>	<u>Consideration</u>
June 1	Sold H. M. Brown for Cash:	
	100 Brls. Flour @12.50	1250.00
	50 Bush. Wheat @2.25	112.50 1362.50

## Journal

The journal that is illustrated in this chapter is in the form of a General Journal. However, in later chapters, more complex record-keeping procedures are introduced. The transactions are taken directly from the Day-Book and recorded in debit and credit form in the journal. Packard described two types of transactions. The first type, called **business** transactions, were "those which affect the progress of the business, having in them the elements of gain or loss." The second type, called transactions of **convenience**, were "those which simply change the personnel of the resources or liabilities without adding to or taking from the net worth."

In regards to recording entries in debit and credit form, it is interesting to note that Packard believed that it was significant only to record entries for Personal Accounts (Accounts Receivable and Accounts Payable) in this manner. However, he stated that for all other accounts, the recording of transactions in debit and credit form had been established by custom, and thereafter became the rule.

## Ledger of Accounts

The type of account used in the textbook is in the form of a two-column account, with the debit entries entered on the left-hand side and the credit entries entered on the right-hand side.

Accounts are of two classifications. The first class was the **Business** accounts "which represent the earning activities of the business...and exhibit the separate gains and losses." The second class were the **Finance**

accounts which measure the worth of the business and "contain such of the resources and liabilities as can be shown in a continuous record."

### Financial Statements

Two statements are presented. The **Business Statement** illustrates the individual gains and losses, along with the Net Gain or Net Loss. The items in this statement originate from either separate entries recorded during the accounting period, or revaluation of certain account balances at the end of the accounting period.

The **Financial Statement** presents the Resources and Liabilities of the business. The Resources (Assets) include the following accounts:

1. Merchandise.
2. Real Estate.
3. Cash on Hand.
4. Personal Credits:
  - a. Open Accounts: include Accounts Receivables and amounts on deposit with financial institutions (checking and savings accounts).
  - b. Bills Receivable: written promises made to the company in the form of notes or drafts.
5. Claims: investments in corporate securities.

The Liabilities include the following accounts:

1. Open Accounts: Accounts Payable.
2. Bills Payable: written promises made by the company in the form of notes or drafts.
3. Stock (Owner's Equity or Net Worth): although Packard defines Net Worth as the difference between Resources and Liabilities, he makes the point that the equity of the owner is a liability because the business is obligated to the owner for this amount. He does mention that it is proper to make a distinction between outside liabilities and the obligation to the owner because the net worth "exactly covers the difference between the resources of the business and the liabilities to outside parties."

Included with the statements is a separate "Corroboration" which presents a reconciliation of the Net Worth for the Accounting period.

### Illustrative Problem

Chapter Four presents a problem which

illustrates the steps taken in the Accounting Cycle. Following is a reconstruction of that problem.

The first step is the recording of the transactions:

April 1—Record beginning balances for the month of April.

	<u>DEBIT</u>	<u>CREDIT</u>
Merchandise	2150	
Real Estate	10000	
Cash (on Hand)	2500	
Commercial Bank	3500	
(on Deposit)		
Accounts Receivable:		
Samuel Smith	700	
James Parker	500	
Bills Receivable		
(6%, issued April 1)	300	
Claims-New York Central		
Railroad Co. Stock	4500	
Accounts Payable:		
Robert Johnson		725
Bills Payable		1375
Stock (Owner's Equity)		<u>22050</u>
TOTALS	<u>24150</u>	<u>24150</u>

April 2—Sold merchandise for \$1314 cash.

Cash	1314.00
Merchandise	1314.00

April 3—Paid \$143.75 cash for office supplies.

Expense	143.75
Cash	143.75

April 4—Received \$700 cash on account from Samuel Smith.

Cash	700.00
Samuel Smith	700.00

April 5—Sold merchandise for \$176 on credit to A. Wakeman.

A. Wakeman	176.00
Merchandise	176.00

April 8—Received \$300 cash for the service of purchasing and shipping goods to a customer.

Cash	300.00
Commission	300.00

April 15—Paid \$25 cash for the clerks' wages.

Expense	25.00
Cash	25.00

April 20—Paid Bills Payable 54 days in advance of due date—June 13, \$1362.62 cash.

Bills Payable	1375.00
Cash	1362.62
Interest	12.38

April 24—Received \$175 cash for rent of real estate.

Cash	175.00
Real Estate	175.00

April 27—Issued check for \$150 for property taxes on real estate.

Real Estate	150.00
Commercial Bank	150.00



April 29—Received \$301.40 representing principal and interest on outstanding Bills Receivable.

Cash	301.40	
Bills Receivable		300.00
Interest		1.40

April 30—Deposit \$3500 of cash in Commercial Bank account.

Commercial Bank	3500.00	
Cash		3500.00

The next step is the preparation of the Trial Balance.

<i>Trial Balance - April 30</i>		
	<u>DEBIT</u>	<u>CREDIT</u>
Merchandise	660.00	
Real Estate	9975.00	
Cash (on Hand)	259.03	
Commercial Bank	6850.00	
(on Deposit)		
Accounts Receivable:		
James Parker	500.00	
A. Wakeman	176.00	
Claims-New York Central		
Railroad Co. Stock	4500.00	
Accounts Payable:		
Robert Johnson		725.00
Stock (Owner's Equity)		22050.00
Commission		300.00
Interest		13.78
Expense	<u>168.75</u>	<u>        </u>
<b>TOTALS</b>	<b><u>23088.78</u></b>	<b><u>23088.78</u></b>

From the Trial Balance, Adjustments are prepared.

<i>Adjustments - April 30</i>		
	<u>DEBIT</u>	<u>CREDIT</u>
1. Merchandise:		
Returns from Sales	1490	
Estimated value of unsold goods	<u>700</u>	2190
Less:		
Beginning Balance	<u>2150</u>	
Gain	<u>40</u>	
Merchandise	40	
Gain		40
2. Real Estate:		
Returns from rent	175	
Estimated value of property	<u>10000</u>	10075
Less:		
Property Tax	150	
Beginning Balance	<u>10000</u>	<u>10050</u>
Gain	<u>25</u>	
Real Estate	25	
Gain		25

3. New York Central R.R. Stock:

Estimated value of stock	4950	
Less: Beginning Balance	<u>4500</u>	
Gain	<u>450</u>	
Claims-New York Central		
R.R. Stock	450	
Gain		450

The final step illustrated is the preparation of the financial statements as presented below:

<i>Business Statement</i>		
<i>For the Month Ended April 30</i>		
	<u>Losses</u>	<u>Gains</u>
Merchandise		40.00
Real Estate		25.00
New York Central R.R. Stock		450.00
Expense	168.75	
Commission		300.00
Interest		13.78
Net Gain	<u>660.03</u>	<u>828.78</u>
	<u>828.78</u>	<u>828.78</u>

<i>Financial Statement</i>		
<i>April 30</i>		
	<u>Resources</u>	<u>Liabilities</u>
Property From Estimates:		
Merchandise	70700.00	
Real Estate	10000.00	
Railroad Stock	4950.00	
From Ledger Accounts:		
Cash	259.03	
Commercial Bank	6850.00	
James Parker	500.00	
A. Wakeman	176.00	
Robert Johnson		725.00
Net Worth:	<u>22710.03</u>	<u>22710.03</u>
	<u>23435.03</u>	<u>23435.03</u>

<i>Corroboration</i>		
Net Worth at beginning		
(as per Stock Account)	22050.00	
Net Gain		
(as per Business Statement)	<u>660.03</u>	
Net Worth at the close		
(as per Financial Stmt.)	<u>22710.03</u>	

*Conclusion*

The accounting for Merchandise, Real Estate, and New York Central R.R. Stock reflects the effects of changes in current costs. However, the gains are reported as recognized and not unrealized as they would have been under current GAAP. In determining a current value for the above items, Packard gives the following explanation. "In placing a value upon property, for the mere purpose of

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# THE ACADEMY OF ACCOUNTING HISTORIANS

Trustees Meeting  
Hilton Inn North  
Worthington (Columbus Suburb), Ohio  
Sunday, November 22, 1992

**Present:** Ashton C. Bishop, Thomas J. Burns, Doris M. Cook, James Don Edwards, Edward N. Coffman, Eugene H. Flegm, Dale L. Flesher, Tonya K. Flesher, Barry Huff, Parti A. Mills, Gary J. Previts, Alfred R. Roberts, William D. Samson, Elliott L. Slocum, Rasoul H. Tondkar, Michael van Breda, and Richard G. Vangermeersch.

8:35 a.m.: Dick Vangermeersch, Chairman of the Board of Trustees, called the meeting to order.

1. Gene Flegm was elected unanimously to serve as Chairman of the Board of Trustees for period 1993-1995.
2. Dick Vangermeersch, Chairman of Trustees 1990-1992, presented his outgoing report. His report touched on 1) establishing a Video History Research Library at The University of Mississippi, 2) considering a name change to the International Academy of Accounting Historians, 3) accepting VISA for sales and membership dues, 4) "translating" non-English articles and books, 5) commissioning articles for the *Accounting Historians Journal*, 6) "piggy-backing" on programs of other organizations, 7) establishing a relationship with each AAA region, 8) increasing membership in Europe, 9) appointing "Fellows" for the AHRC and THRC, and 10) appointing committees for a three year term to establish continuity.
3. Tom Burns (Ohio State University) and Gene Flegm (General Motors) were formally recognized for putting together an outstanding program for the Hall of Fame Conference.
4. Dick Vangermeersch and Dale Flesher have made inquiries regarding the IMA's 75th anniversary in 1994. They will keep us informed about their plans and if any role develops for the Academy.
5. James Don Edwards presented a policy statement with regards to guidelines for funded research and conference proposals. A motion was made and seconded to accept the proposal subject to minor editorial changes. The motion passed unanimously.
6. Tonya Flesher is working with Tony Tinker

regarding a CPE session prior to the annual AAA meeting.

7. Gary Previts indicated that Elmer Beamer has offered to donate files regarding education issues with which he has been involved. A motion was made and seconded to accept the donation subject to Beamer's documentation that the donation is the property of the Academy. The Academy will assist with the transportation cost to the AHRC. The motion passed unanimously. Also, Tonya Flesher reported historical material related to EDP auditing before 1970 has been offered to the Academy. The material is located in Washington, D.C.
8. Future issues that need to be addressed are 1) establishing a permanent office with a full-time Director for the Academy, 2) entering into some form of formal relationship with the AAA, and 3) defining the role and policy of the AHRC and the THRC with respect to archival materials—donations, solicitations, clearing house for primary research materials, etc. Tom Burns will talk to Tonya Flesher about setting up a task force for the latter item.
9. The meeting adjourned at 9:15 a.m.

Respectfully Submitted,  
Ashton C. Bishop, Secretary

## Policy Statement James Don Edwards

In recognition of limited resources for research at some members' institutions, the Academy of Accounting Historians wishes to encourage and promote accounting history research projects by providing limited grant funding. These research grants should be viewed as "seed" money, which because of the small resources of the Academy, will be occasional in granting and limited in amount. Such grant money will be expected to be used by the investigator to acquire research data, equipment, or research-related travel. The funding is not intended as compensation for the investigator. In the application, the investigator must include that funding from

other sources was not available by having been rejected by these other sources. Those receiving funding will be held to strict accountability with particular expectation that a manuscript that is publishable in *The Accounting Historians Journal* or presented at an Academy or American Accounting Association meeting will be produced in reasonable time after the funds are granted.

### Application Procedure

Members with unique, well-thought out projects may apply for a grant. Proposals should be submitted to the Academy president in triplicate. Projects will be funded on the basis of quality of the research proposal with emphasis on the benefit to the Accounting Historian community, and the availability of funds. The Academy president, the president-elect and the editor of the *Accounting Historians Journal* will decide if the proposal is worthy of Academy resources. If a majority approves,

then the funding will be considered at the next (August, November-December, March-April) meeting of the Board and by members for approval of the expenditures. Thus, a six month lead time in proposing is necessary.

If a major amount of funds is requested, then advance notice of 18 months is necessary so that the Endowment Committee can consider the proposal after it has been approved by the Ad Hoc Research Committee of the president, president-elect, and editor of *The Accounting Historians Journal*.

For research projects funded by the Academy, 50% of the requested funds will be granted upon approval of the application, and the remainder will be paid at the completion (submission of finalized paper) to one of the previously mentioned outlets for public dissemination of the findings. In the paper, there should be an acknowledgement that the project received funding support from the Academy.



## THE ACADEMY OF ACCOUNTING HISTORIANS

Annual Business Meeting  
Hilton Inn North

Worthington (Columbus Suburb), Ohio  
Sunday, November 22, 1992

1. President Tom Burns called the meeting to order at 9:30 a.m.
2. The minutes for the previous Annual Business Meeting of August 12, 1991 were approved.
3. Treasurer Ross Tondkar reported that the financial position of the Academy is sound. Tondkar was formally recognized for his dedicated service and outstanding performance as Treasurer from 1989 through 1992.
4. James Don Edwards suggested that we consider moving some funds from the general fund to the endowment fund. This matter will be studied by the trustees, and a recommendation will be forthcoming.
5. Gene Flegm was formally recognized for raising significant funds for 1992 activities which made possible the Hall of Fame Conference among other things. In this connection, Barry Huff of Deloitte & Touche was thanked for his firm's substantial contribution.
6. Tom Lee, representing the Institute of Chartered Accountants of Scotland (ICAS), presented information about a proposed

seminar, PACIOLI SEMINAR 1994, to be held on March 3-4, 1994 in Edinburg. A one-day accounting history seminar to celebrate the five hundredth anniversary of Pacioli's bookkeeping treatise is planned for March 3. Lee indicated that the ICAS would like for the Academy to co-sponsor this event through providing expertise and access to its membership. By unanimous vote, the ICAS invitation was accepted. On March 4, a Festival of Accounting is planned on two not-unrelated themes, *Measure, Mismeasurement, and Stewardship* and *Accountancy and Information Technology*. The Festival will be held in conjunction with the Netherlands Instituut van Registeraccountants.

7. Dick Vangermeersch announced that the trustees have elected Gene Flegm to serve as Chairman of the board of Trustees for the Period 1993-1995.
8. Dick Vangermeersch presented Tom Burns with a plaque in recognition of his leadership and service as 1992 President of the Academy.
9. Dale Flesher indicated the forthcoming issue of the *Accounting Historians Journal*

- (Fall 1992) is the best issue of his administration. Number of submissions and quality of papers continue to be high. Bill Samson, the other Editor, announced that his tenure will be completed with the forthcoming issue.
10. Elliott Slocum reported that the *Notebook* (32 page issue) will be mailed during December.
  11. Finley Graves indicated that 150 copies of the Garner Monograph (#6) have been sold. A motion was made and seconded to send trustees and officers complimentary copies of this monograph. The motion passed unanimously. Graves reported that Monograph 7, Motyka Monograph, is in production at Garland Publishing and will be available in January. Several manuscripts are under review for evaluation as possible monographs.
  12. Ashton Bishop had to leave the meeting, and Doris Cook assumed the responsibility for recording the minutes for the remainder of the meeting.
  13. Gary Previts stated there was no report from the Classics Series.
  14. Officers elected for 1993 were as follows: President: Tonya K. Flesher (University of Mississippi); President-Elect: Ashton C. Bishop (James Madison University); First Vice President: Maureen H. Berry (University of Illinois); Second Vice President: James Don Edwards (University of Georgia); Treasurer: Michael F. van Breda (Southern Methodist University); Secretary: Doris M. Cook (University of Arkansas).
  15. Trustees elected for 1993-95 were as follows: Thomas J. Burns (Ohio State University); Eugene H. Flegm (General Motors Corporation); Yoshihiro Hirabayashi (Osaka City University).
  16. Gary Previts and James Don Edwards gave an informational report on their Project 100, which is planned to include the top 100 CPAs in the United States in the last century. It will be similar to the *Life* magazine publication of the top 100 Americans in the last century. This project is not sponsored by the Academy, but they plan to tie it in with the next Academy conference.
  17. Tonya Flesher read Maureen Berry's committee report on the Vangermeersch Manuscript Award. The 1992 winner of the Award was Thomas Tyson of St. John Fisher College for his manuscript entitled, "The Nature and Environment of Cost Management Among Early 19th Century U.S. Textile Manufacturers." Berry and her committee have begun work associated with the 1993 Vangermeersch Manuscript Award.
  18. Michael van Breda noted that the Education Committee would like to have some suggestions for involvement in the education area. One suggestion was to use education as a conference theme sometime in the future. Tom Burns stated that he still plans to develop a short paper suggesting that the second chapter in Ph.D. dissertations be devoted to historical development of the topic area.
  19. Gene Flegm reported that the Endowment Committee has received one request for next year.
  20. Tom Burns reported for the Membership Committee in the absence of Tom Nessinger. They have a letter drafted to send to prospective members which will be sent along with an Academy brochure.
  21. Gary Previts reported that the task force on accreditation project has made no progress, but he will keep working.
  22. Tonya Flesher noted that she will follow through with obtaining the EDP historical papers for the Academy (see minutes of Trustees Meeting on November 22, 1992). Cost of moving them from Washington, D.C. to Oxford, Mississippi will be paid from the President's discretionary budget.
  23. Al Roberts noted that the new location of the AHRC would result in a new configuration for the Center. There will be a separate conference room and a separate stack area for collections. This will make operations and storage a bit difficult. As a result, the use of the conference space will probably have to be shared at times with seminars offered at the School.
  24. Dale Flesher reported that the video and audio tape library has expanded, primarily from a grant by the governmental accountants.
  25. There was some discussion of future nominees for the Hourglass Award.
  26. President-Elect Tonya Flesher made a few remarks concerning 1993. She and her transition team have three areas of emphasis:
    - 1) Membership—Alan Mayper has been appointed chairman of the Membership Committee, and they plan to increase membership.
    - 2) Committee Involvement—Letters have

been sent to ask for volunteers for committees (response has been good).

- 3) Organizational Structure—She plans to appoint task forces to consider the organizational structure and problem with space for the archives.

27. The Academy's Fall 1993 research

conference on Biographical Research is to be held at The University of Mississippi on December 3-4.

28. The meeting adjourned at 11:10 a.m.

Respectfully Submitted,  
Ashton C. Bishop, Secretary



## ACADEMY COMMITTEES FOR 1993

President Tonya Flesher has reported that responses to requests of members to participate in the committees of the Academy were enthusiastic. Many of the committees have been at work since early in the year, and preliminary reports are expected by the April 24, meeting in Atlanta. Final reports are to be submitted for the Annual Business Meeting to be held on December 4, at The University of Mississippi.

The committee chairs and members are provided below for your information if you have need to communicate with one or more of the committees and to encourage your future participation in the activities of the Academy. Task force chairs, members, and charges are also provided. Committee chairs report to one of the Academy Vice-Presidents as follows:

### **Committee Reporting Responsibilities:**

First Vice-President—Maureen Berry,  
University of Illinois

Education  
Research  
Endowment

Second Vice-President—James Don Edwards,  
University of Georgia

Public Relations  
Membership  
Regional Programs

### **Education Committee**

Chair: Philip Siegel — University of  
Houston—Downtown

Joel Amernic — University of Toronto

Vahe Baladouni — University of New  
Orleans

Roderick S. Barclay — Arkansas College

Ronald Beckman — Sam Houston State  
University

George M. Blankenbeckler — Central  
Connecticut State University

Robert Bloom — John Carrol University

Garry D. Carnegie — Deakin University

Gyan Chandra — Miami University

Billie Cunningham — Collin County  
Community College

Margaret Hoskins — Henderson State  
University

H. Elliott Lipschultz — Northbrook, Illinois

Cheryl McWatters — The University of  
Calgary

Fred Neumann — University of Illinois

John Ribezzo — Community College of  
Rhode Island

Stanley C.W. Salvary — Canisius College

Jaroslav Sokolov — Engels Soviet Trade  
Institute

Suzanne Pinac Ward — University of  
Southwestern Louisiana

### **Research Committee**

Chair: Haim Falk — McMaster University

Dale Buckmaster — University of Delaware

Michael Chatfield — Southern Oregon State  
College

John K. Courtis — City Polytechnic of Hong  
Kong

Catherine Craycrafty — University of New  
Hampshire

Guo Daoyang — Zhongnan University of  
Finance and Economics

Richard K. Fleischman — John Carroll  
University

Giuseppe Galassi — Universita Degli Studi  
Di Parma

Gary Giroux — Texas A & M University

Joseph M. Hagan — Louisiana State  
University

Alicja A. Jaruga — University of Lodz

J. Edward Ketz — Pennsylvania State  
University

Barbara T. Oliver — Omaha, Nebraska

Terry Sheldahl — Savannah State College

Adrianne Slaymaker — Detroit, Michigan

Wilbur H. Stevens — Salinas, California

Jim Tucker — Widener University

### **Endowment Committee**

Chair: Gene Flegm — General Motors  
Corporation

Richard Vangermeersch – University of  
Rhode Island

### **Public Relations Committee**

Chair: Kathleen Sinning – Western  
Michigan University

Victoria Beard – University of North  
Dakota

Sandra Bryd – Southwest Missouri State  
University

Bab Carstens – Montgomery, Alabama

Joann Noe Cross – University of  
Wisconsin–Oshkosh

David Franz – San Francisco State  
University

Jeanette M. Sanfilippo – St. Louis, Missouri

Cidgem Solas – Concordia University

### **Membership Committee**

Chair: Alan Mayper – University of North  
Texas

Sue Atkinson – Tarleton State University

Hans J. Dykxhoorn – Western Michigan  
University

Walker Fesmire – University of Michigan–  
Flint

Tatsuto Fujii – Tohoku Gakuin University

Leonard Goodman – Rutgers University

James Guthrie – University of New South  
Wales

Mary E. Harston – St. Mary's University

David C. Hay – Lincoln University

Khaled A.M. Hegazy – Cairo University

James H. Honea – University of Southern  
Mississippi

Sara Kenny – University of Utah

Z. Jun Lin – The University of Lethbridge

Anne Loft – Copenhagen Business School

LuAnn G. Bean Mangold – Bella Vista,  
Arkansas

Robert G. Morgan – East Tennessee State  
University

Salme E. Nasi – University of Tampere

Donald S. Rueschhoff – Topeka, Kansas

Jack Truitt – Washington State University

Thomas N. Tyson – St. John Fisher College

Loren Wenzel – Mankato State University

### **Regional Programs Committee**

Chair: Hans Johnson – Arkansas Tech  
University

Jeremy Cripps – Heidelberg College

Horace Givens – University of Maine

Finley Graves – University of Mississippi

Jean Harris – Penn State University–  
Harrisburg

Lyle Jacobsen – St. Helena, California

Joseph R. Razek – University of New

Orleans

Dieter Schneider – Ruhr-Universitat  
Bochum

Paul Shoemaker – University of Nebraska–  
Lincoln

### **Nominations Committee**

Chair: Tom Burns – Ohio State University

Lee Parker – Flinders University

Barbara Merino – University of North Texas

Gary Previts – Case Western Reserve  
University

Horace Givens – University of Maine

### **Vangermeersch Manuscript Award Committee**

Chair: Maureen Berry – University of  
Illinois

Dale L. Flesher (ex officio) – University of  
Mississippi

Tonya K. Flesher (ex officio) – University of  
Mississippi

O. Finley Graves – University of Mississippi

Mary S. Stone – University of Alabama

### **Accounting History Graduate Research Grant**

Chair: Lee D. Parker – The Flinders  
University of South Australia

### **Centers Task Force**

Chair: Richard Vangermeersch – University  
of Rhode Island

Dale Flesher – University of Mississippi

Al Roberts – Georgia State University

Elliott Slocum – Georgia State University

Charge: To evaluate options, risks,  
opportunities and costs of operating the  
Academy-sponsored Centers now and in the  
future.

### **Strategic Organizational Task Force**

Chair: Gary John Previts – Case Western  
Reserve University

Maureen Berry – University of Illinois

Ashton C. Bishop – James Madison  
University

Edward N. Coffman – Virginia Common-  
wealth University

James Don Edwards – University of Georgia

Dale Flesher – University of Mississippi

Roxanne T. Johnson – University of  
Scranton

William D. Samson – University of  
Alabama

Hanns-Martin Schoenfeld – University of  
Illinois

Charge: To evaluate options, risks, and  
costs of changing principal organizational  
functions of the Academy.

*Tools: continued from The Accounting Historians Notebook, Vol. 16, 1993, No. 1, Art. 1, p. 1.*  
skewer-like instrument they called a stylus, or style. The violent nature of Roman society eventually led to arms control; forbidden to carry weapons, Romans carried styles, demonstrating repeatedly that the pen can be as lethal as the sword. When Julius Caesar was attacked, he wounded one of the conspirators with a style, and the fact that such use was common may lie at the root of the Italian word "stiletto."

It was the Egyptians who, in this as in so many other areas, took the decisive step toward modern writing materials. After finding out how to make linen, they soon hit upon the idea of using white linen for portable inscriptions. But even this genial invention was superseded by the discovery that the peeling of a common reed, "byblos" or "papyrus," could be used like tree bark yet was cheaper to produce. From the Greek "byblos" came the Greek word for a book, and hence our name for the Holy Scriptures.

Papyrus grew abundantly in lakes and marshlands. About ten feet high, its stem is two or three inches in diameter, yielding about twenty layers when peeled. Each strip was laid out flat, and two strips glued together, their fibers crossed, gave a sufficiently strong material for writing. A number of strips were gummed and beaten together at the edges to form a papyrus sheet of any size, which was then impregnated with cedar oil to preserve it from decay.

The impetus that this gave to the art of writing can be imagined, and the papyrus plant became increasingly scarce. For this reason, a king of Pergamus with literary inclinations encouraged his scribes to experiment with the skins of animals. These were smoothed and dried and, in spite of being more expensive than papyrus, this pergamon (or parchment, or parchment) recommended itself because of its fineness and durability. It was also called vellum, from the Latin word for calf, but this refers now to a superior quality paper. Papyrus remained in general use until the invention of a process for making paper out of cotton, probably between 500 and 600 A.D. It took another thousand years before man learned

to make paper from rags, which cheapened it considerably, and finally, during the nineteenth century, discovered that tree pulp could be used for even cheaper grades, which is more or less where we are at the moment.

The history of recording instruments (flints, chisels, styles, reeds, quills, iron-knibbed pens, fountain pens, ball-point pens) and the related development of inks, seems of little relevance to us in the age of computers and printers. It is instructive, however, to reflect on the influence of technology on accounts and accounting statements. Although the Babylonian scribes used the bilateral form of accounts, joining the debit and credit tablets with copper rings like some monstrous ring binder, the Egyptians found papyrus too narrow and started to super-impose credit and debit entries vertically, a method known by the Italians as "a sezione sovrapposte." Paper liberated accountants from this constraint, but the problem arose again when mechanical and electro-mechanical bookkeeping devices were introduced, because of printer output limitations. I have audited accounts in which all entries were printed "sovrapposte," credits being distinguished by appearing in red, or with an asterisk against them. (The contemporary bank statement uses minus signs for debits.)

Perhaps the most striking instance of the impact of materials and tools on accounting practice, however, is the report form of the financial statements. This has become so ubiquitous that students find it difficult to perceive that the income statement is a profit and loss account, and the balance sheet a summary of account balances. Printers of annual reports observed that there are typically many more items on the debit side of the income statement than on the credit, and (vide Abraham Briloff) many more balance sheet debits than credits. Printers do not like to see paper devoid of print, and we therefore obliged them by reverting to "a sezione sovrapposte." One unforeseen consequence is that accountants are now questioning the very basis of the accounting model and seeking to liberate themselves from the discipline of accounts. □

*History: continued from page 1*

the profession included leaders of five of the "Big Six" firms: J. Michael Cook (Deloitte & Touche); Robert Elliott (KPMG Peat Marwick); Duane Kullberg (Arthur Andersen & Co.); Raymond Lauver (Price Waterhouse); and Philip DeFliese (Coopers and Lybrand). Ray Groves (Ernst & Young), scheduled to participate, was unable to attend. Moderators for the sessions were Robert K. Mautz, Steve Zeff (Rice University), and James Don Edwards (University of Georgia). Special guests at the conference included Dennis Beresford (Chairman, FASB).

Members of The Ohio State University Beta Alpha Psi chapter served as aides during the conference. The current Academy president (Thomas J. Burns, The Ohio State University) presided, and four former Academy presidents and many other Academy officers were present (including the secretary-elect Doris Cook, University of Arkansas and the treasurer-elect Michael van Breda, Southern Methodist University). Following the two-day meeting, many attended the big game (Michigan vs. Ohio State) which resulted in a tie, pleasing no one. The academy held its annual business meeting the following day. All conference sessions were videoed and recorded; the academy expects to publish the proceedings. J. Michael Cook, Chairman, Deloitte & Touche, announced the appointment of the Academy president as a Deloitte & Touche professor.

### Session I—Accounting Educators

The academics, in their session, emphasized that there has been a growth of accounting research in universities by professors during this historical period and that new Ph.D.'s are increasingly better trained in interdisciplinary techniques (although most often accompanied by diminishing major interest in accounting problems and the frequent disappearance of accounting theory/concepts subject matter from Ph.D. seminars). Many argued that, typically, U.S. academic researchers often seemed to search for a problem to apply a research technique to instead of researching major accounting problems. The increased prestige of accounting research among other disciplines within the university (with improved promotion and tenure prospects for accounting professors) was accompanied by a sharp decline in the knowledge of and interest in accounting institutions by younger professors. One exception might be accounting regulation. Most acknowledged readily that to undertake a historical Ph.D. dissertation at their institution would not be seriously considered by most junior faculty and many senior faculty. Most accounting researchers are now identified by practicing one of three major research techniques: empirical, analytical, and perhaps behavioral. Other types of research receive a relatively minor appreciation, including perhaps the "critical thinkers" movement. Although field studies (most frequently called case studies) have had a recent revival, young researchers attempting



*(l/r) Davidson, Zeff, Moonitz; (2) Horngren, Solomons, Bedford, Anthony.*



such research would increase significantly their risk of not being promoted or tenured; since this research technique is not favored by university (or often even college) promotion and tenure committees.

Although there are now many more teaching prizes for professors than previously, and teachers are now more likely to bring their research into their classroom, particularly the younger and often more research-active faculty, teaching is now much more subordinated to researching than in earlier periods. However, as always, the best research investigations often come out of classroom discussions with students. However, new Ph.D.'s often learn a particular accounting subject the first time they teach such a course.

The panelists agreed that managerial accounting has shown the greatest improvement during this period, whereas financial accounting has not changed much. Little change (except in size) has occurred in financial accounting texts, whereas finance texts have changed drastically. Introductory texts were much more criticized by the panelists, most of whom have authored renowned texts. Complaints were made about the need to supply a suitcase of teaching materials nowadays to an instructor (instead of a text and a solutions manual) probably because over half of introductory courses are taught in community colleges by part time instructors who often have full time jobs elsewhere. Intermediate texts devote less space to models and concepts but more, much more space to FASB rules.

Those who teach in MBA programs report few MBA's go into public accounting firms, except maybe for consulting, although MBA's are now much older than previously (Stanford reports the average age of an entering MBA at 27). Undergraduates, particularly the brighter ones, are less likely to go into public accounting than previously. The academic input to the rule-making agencies was still slight, even by tenured professors. There is a major decline in articles on or debates of controversial accounting subjects. There was discussion of tenure (and possible legal vulnerability), professors serving as expert witnesses, and whether professors were continuing to be independent of their funding.

## Session II—Financial Executives

The financial executives agreed that they are not only preparers of financial statements, but extensive users, as well. The greatest change in accounting during this period from their viewpoint was the enactment of FASB 106 on post retirement benefits. All agreed with the principle enacted and its social, economic, and political benefits, but they were not as satisfied with its complexity and cost. However, they believed that this change was the "high" of the period; the "low" expressed by several was FASB 96 on deferred taxes, which was, of course, eventually altered.

When asked why they had not implemented the principle of FASB 106 before the FASB, several replied they had done so internally but could not do so externally because of competition. If a single corporation had enacted this change lowering profits on public statements, their stock prices would have declined immediately in the stock market.

A consensus was reached that the chief value of standard-setters was to enact needed changes uniformly, which otherwise could not be accomplished. They reported satisfaction with the FASB rule-making process (given the change from 4-3 to 5-2 for standard approval) considering the alternative of government standard-setting. But they felt the extensive agenda (and numerous rules) of the FASB was much driven by the threat of liability and was increasingly concerned with compliance.

In discussing accounting for stock options, they argued that the current controversy over this subject is a policy issue, not really an accounting issue. The failure to communicate sufficiently what accounting does (and does not do) is a real problem. They also reported that their global corporations had major problems with harmonization.

The benefits received from participating in all stages of the standard-setting process were discussed. The executives stressed the advantages of actively participating in professional organizations such as the *FEI*. The informal networks with their counterparts at other corporations and the learning about accounting practices from each other were very important. The advance of internal auditing after the establishment of audit committees was reported to be a major change in industrial accounting in the last 25 years. Large



(l/r) Quindlen, Larson, Steffan, (2) Edwards, Sullivan, Flegm.

computers helped make internal auditing more thorough. Such auditing staffs were a mix of CPA-types and operating personnel. Many reported maintaining almost two sets of books, the first for managerial purposes and the second for external reporting purposes. Some differences reported between the two were: LIFO inventory, deferred taxes, capitalized interest, and R&D.

### Session III—Public Accountants

The public accounting panelists, a mixture of current and historical figures, agreed that the greatest change in the profession over the past quarter of a century has been the growth in litigation which threatens the survival of even the largest firms. The U.S. has developed into a "no-fault" society. Unlike the rest of the world, U.S. citizens have the habit of going to court for grievances. By far, the most rapidly growing U.S. business is the practice of lawyers. As the chairman of the U.S. Senate Judiciary Committee (himself a lawyer) said recently, "the plaintiff's bar engages in legalized ripoffs." The legal principle which encourages this practice is the one of joint and general liability (rather than one of proportional liability). Auditing firms are often sued for being present (during the period when fraud was committed) rather than for the quality of their work. The financial implications of working in such a legal

environment are neither insurable nor predictable. Without limited liability, a firm may encounter a "fimbusting" suit at any moment from which it won't survive. If firms are to survive such a death spiral, tort reform is necessary! In the U.S., torts are presently a 2.5% tax of the GNP; U.S. accounting firms currently pay over 10% of their annual fees for this purpose. There are at least two other major implications of this legal litigation environment. First, the profession, due to the threat of liability, cannot innovate new products (despite a possibly diminishing utility of their conventional auditing and financial statement products). Yet, some evidence exists that managers do not manage (as much as they reputedly used to) and investors do not invest (as much as they supposedly once did) via conventional financial statements (because businesses, managing, and investing are infinitely more complex now). If so, or even if not so, the firms always need to be developing new products. Second, within their environment, firms find it increasingly difficult to recruit and to retain top talents. Without these talents, firms will have difficulty in maintaining the quality of their products; certainly the increasing cost of litigation can mean the firms cannot possibly afford the salaries of such talent.

Other major changes during this period for accounting firms were also identified. The

change to a *global economy* (all businesses in the U.S. are global, although some don't know it yet) means firms must grow large to continue in this economy. If they don't do so, they must sharply cut back their service. The *gender diversity* changes now mean women are roughly 50% of firm hires and are now breaking through to be about the same percentage of new managers. Although women are only 4-6% of firm partners, that percentage can only continue to go up. Even though *competition* among the firms has increased extensively over this period (as the shortage of audit product disappeared) and firms are now much more consumer driven, such competition is small when compared to that of the soft drink, airline, or soap industries, for example. A major change has

been the increasing *specialization* of the firms (although universities could not provide the specialization education to achieve the quality that comparable firms' training can). Most argued that although the business orientation of a firm has always been present, it seemed currently to be more prevalent. One panelist observed that firms used to be perceived as professionals operating in a business climate, whereas now it seemed more as if they were perceived as businesses operating in a professional climate. Another major change cited was much more *regulation* and government supervision. And of course, the major developments in *information technology* are other changes which have basically altered the way auditing and accounting are accomplished and how firms operate.



(l/r) Miller, Defliese, Cook, Mautz, Kullberg, Lauver, Elliott.

## COMMENTS FOR THE ACADEMY HALL OF FAME CONFERENCE: U.S. ACCOUNTING HISTORY (1965-1990)

by

Yuji Ijiri

Carnegie Mellon University

I regret very much that I was not able to participate in the discussion on Friday. When I received an invitation to this conference from the organizer, Professor Thomas Burns, I had already accepted an invitation to present a paper at a conference in Siena, Italy, a place near Pacioli's home town, commemorating the 500th anniversary of his landmark publication on double-entry bookkeeping. After my presentation and a lovely closing banquet on Thursday, which went beyond midnight, I

left Siena for Columbus, a trip which took 24 hours door to door, including a two-and-a-half-hour pre-dawn drive from Siena to Rome, during which the driver drove at 90 miles, 145 kilometers, an hour. I was frightened initially, but toward the end of the drive I found myself enjoying this high speed ride.

1. **The Increasing Professional Risk:** In the flight from Rome to Washington, I started thinking about the U.S. accounting development in 1965-90, the theme of this

conference, and began to wonder whether my experience in the high speed ride might not be comparable to the greater and greater risk the accountant has taken or been forced to take over the past 25 years. I am particularly concerned with the recent resurgence of market value under the notion of "Marking to the Market," because I cannot believe this is what the public wants. Their indifference to market value data in financial statements was the cause of the discontinuation of such a disclosure in the mid-1980s in the U.S. as well as in the U.K. Besides, the market value of the firm itself is already best indicated in daily stock quotations.

## 2. Reflecting the Future Stock Price:

What the public—including investors, mass media, and jury members—expects is financial statements that reflect the stock price of the firm not on the statement date but, say, six months from the statement date! When their expectation is not fulfilled, they hold the accountant responsible, and, with a 20-20 hindsight, they easily find reasons to put a blame on the accountant. At the beginning of the 1965-90 period, there was a shift in emphasis from history-oriented information to future-oriented information under the banner of decision "relevance." Unfortunately, unlike personal computers that exploded during the same period on the basis of many breakthroughs in the IC chip and miniaturizing technologies, there were no technological nor educational breakthroughs in accounting that warranted such a drastic shift

in the professional orientation. We handled market values and pension forecasts with no training as assessors nor as actuaries. We had to borrow from other professional expertise, while not fully utilizing our own expertise in handling historical information. Nevertheless, we enjoyed the feeling that we were providing more "relevant" information, discounting the significant professional risk we were taking in the meantime.

3. **Widening the Gap:** In the mid-1970s, I had an occasion to present a short paper at a public hearing of the Cohen Commission, which was charged to find a way of bridging the gap between what the public expects and what the accountant/auditor can deliver. Emphasizing the need to let the public know how the audit is done, I proposed to replace the blanket audit opinion with a concise description of what the auditor did and found, including the sample size. I believe that something of this kind is needed to bridge the gap, especially by telling the public exactly how small the sample size had to be in order to keep the audit cost in a feasible range. By staying with the blanket opinion, the gap has widened considerably during the past 25 years. Although the same wording is used, the meaning of "present fairly" dramatically changed as more and more subjective judgments on the distant future entered into financial statements.

4. **Records, not Reports:** More fundamentally, the 1965-90 period was also a period in which an utmost emphasis was



(l/r) Davidson, Solomons, Moonitz, Bedford; (2) Horngren, Mautz, Miller, Anthony, Defliese.

placed on financial statements, as if they were the only thing the accountant produced, neglecting the value of and the contributions made by accounting records (Foreign Corrupt Practices Act being a notable exception). We must realize and let the public know that accounting is built on comprehensive records of what happened in the past. The economy may suffer somewhat without financial statements, but should there be a blackout on accounting records, the whole economy will collapse in a matter of weeks, if not days, as no business can survive long without accurate accounting records. Lack of records will also let irresponsible behavior proliferate, quickly destroying the fabric of the economy. Mismanagement and fraud would not have been discovered in the first place without accounting records. We should let the public know that the fundamental contribution of accounting lies in records and not in reports.

**5. Speculation Fever, Again:** The first Chief Accountant of the Securities and Exchange Commission, Carman Blough, stated that "the speculation fever had become so great in 1929 that it is very questionable whether any amount of information about the corporation would have affected the way the general public would have bought and sold its stock, yet many turned to the inadequacy of the financial data as a scapegoat on which to blame their losses and to vent their angers and frustrations." ("Early Development of Accounting Standards and Principles," in W.W. Cooper and Y. Ijiri, eds., *Eric Louis Kohler: Accounting's Man of Principles*, Reston, 1979). The same thing seems to be happening in the recent litigation crisis arising out of the debacle of savings and loans institutions, only this time as a scapegoat for the industry-wide catastrophic losses.

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Legislation limiting auditors' liabilities seems to be the most important issue in the short run, but for the long run, we must do a better job of getting the nature of accounting and auditing understood by the public. I hope that at this conference held 25 years from now, we will be able to speak with a more positive and constructive tone about the future of accountants by building accounting on the solid base of historical records. □



*Procedures: continued from page 16*

rating it, reference should be had, of course, to the market rate, or what might be obtained in exchange were the property offered for sale. In articles of merchandise—and particularly staple goods—this estimate is easily made, from quotations and general knowledge of sales; but in special property, such as real estate and things—on whatever basis made—must be, in a peculiar sense, arbitrary."

These accounts are also of interest because of the type of transactions included in their balances. For example, the Merchandise account is credited for the sale of merchandise as opposed to a revenue account. The Real Estate account is credited when rent is earned, and debited when property taxes are paid. If dividends would have been earned on the New York Central R.R. Stock, this account would have been credited in place of a revenue account.

The treatment of the Expense account that appears on the Business Statement is explained by Packard as follows: "...why not at once charge the amount in the Merchandise account, which represents this business? There would be no real objection to this, except that inasmuch as we have some other interests, a certain proportion of the expenses should be shared by these interests. What that proportion is, it may be difficult to say' hence, for convenience sake we open this separate account, leaving what seems to be an absolute loss here to be offset by an excessive gain in the other accounts."

The accounting treatment illustrated above is based on the philosophy developed by Packard in Chapter Three, entitled *Business*. He believed that wealth was primarily acquired through the activities of labor, rent, and exchange (gift and circumstance were also considered). Four of the activities are illustrated in the illustrative problem:

1. Labor: earning of commissions from purchasing and shipping goods to a customer.
2. Rent: earning of rent on real estate and interest on loans.
3. Exchange: sale of merchandise.
4. Circumstance: appreciation or depreciation of property in the firm's possession.

As a result of this philosophy, the impact of each activity is shown directly in the account affected.

If current GAAP were used to complete the illustrative problem (assuming all Office Supplies were used, and the entry of April 20th

is treated as an early extinguishment of debt), the results of operations would have been a Net Income of \$310.03, and total assets would have been \$23,085.03.

#### References

Packard, S. S., and Bryant, H. B. *The New Bryant*

*& Stratton Counting-House Book-Keeping*, Ivison, Blakeman, Taylor & Co., New York and Chicago, 1878.

Quinney, Valerie, *Bryant College: the First 125 Years*, Bryant College, Smithfield, RI, 1988.



## CONFERENCES, PERIODICALS, AND THINGS

### FOR YOUR INFORMATION

Several events are scheduled during the year of which you may have interest. Although *The Notebook* may be of limited help because of the timing of publication and the event, items presented herein are presented for your information.

The Centre of Accounting Research and Education at the University of Waterloo will host an audit symposium at the University in November, 1993. The Conference is sponsored by the Clarkson Gordon Foundation and co-sponsored by the Auditing Section of the American Accounting Association. Information about the details of the symposium may be obtained from Professor W. Morley Lemon or Professor Gordon D. Richardson, University of Waterloo, (519) 885-1211.

### A CALL FOR PAPERS

The *Chinese Accounting Review* seeks manuscripts of quality research and development on a variety of current topics in accounting. The acceptable topics include international accounting and accounting education. *The Review* is an annual publication which emphasizes quality theoretical and applied research in accounting and related areas.

Manuscripts may be in English or Chinese. Three copies should be submitted, double-spaced, one-sided, and follow the format of *The Chinese Accounting Review*. The author to whom communications should be made should be indicated on the cover or title page. Papers are submitted to blind review. To submit a manuscript or to obtain additional information, contact: Editor, *The Chinese Accounting Review*, P.O. Box 1-444, Wenshan, Taipei, Taiwan, R.O.C.

### DECISION SCIENCES INSTITUTE ANNUAL MEETING

The Decision Sciences Institute will present its 24th Annual Meeting in Washington, D.C., on November 21-23, 1993. An

invitation for accounting papers was issued, but unfortunately, the submission date was March 1, 1993. Accounting research papers in a wide range of topics, including accounting history, theory, auditing, taxation, not for profit, governmental, international, financial, information systems, and others, are expected to be presented. For information, call James R. Evans, University of Cincinnati, (513) 556-7140.

### INTERFACE

INTERFACE will host its Eighteenth Annual Humanities and Technology conference in Atlanta, Georgia on October 21-23, 1993 at the Penta Hotel. Although a wide range of topics are accepted, "Technology & Multimedia" and "Multicultural & Intercultural Issues and Technology" are topics to be emphasized. INTERFACE brings together professionals from many fields such as engineering, technology, computer science, history, literature, and physics for purposes of discussing issues that cross traditional disciplinary boundaries.

### FSA PROCEEDINGS AVAILABLE

The Federation of Schools of Accountancy held its sixteenth annual meeting in December, 1992, in New Orleans. Its theme was "Joining Forces: A Partnership to Educate Our Profession." Featured speakers included Gerry Polansky, Dennis Beresford, and William Shenkir. Sessions included discussion regarding roles of industry, accreditors, state societies, and public accounting in accounting education. In addition, the place of liberal arts, technology, and general education in the curriculum was examined. *Proceedings of the Annual Meeting, 1992*, sponsored by FSA Supporting Associate, Price Waterhouse, will be available in the Spring, 1993, through the FSA Administrative Office, DePaul University, 25 E. Jackson Blvd., Chicago, IL 60604.

## NEWMAN T. HALVORSON (1908-1992) A MEMORIAL

A native of Wisconsin, Halvorson graduated from the University of Wisconsin in Madison in 1930. Thereupon he began his career with Ernst & Ernst in Detroit. In 1954 he transferred to the national office of the firm in Cleveland and remained there until he retired in 1972. Modest and self-deprecating, he was the firm's principal technical partner, representing Ernst & Ernst on prominent professional accounting and auditing committees. As a member of the AICPA Committee on Accounting Procedure (1956-59), the Committee on Auditing Procedure (1963-65), and the Accounting Principles Board (1966-73), Halvorson had considerable influence on accounting policy. A loyal pragmatist, he espoused Ernst & Ernst's views on those professional committees, which are clearly reflected in his dissents from, and qualified assents to, accounting opinions issued by the Accounting Principles Board.

Halvorson experienced first-hand the significant changes in accounting and auditing set in motion by the 1929 Stock Market Crash with its revelations of the deficiencies in financial reporting. He witnessed stock market losses stemming in part from shortcomings in accounting and auditing. As a consequence, Halvorson stressed the importance of objectivity and

verifiability in financial reports. He was an ardent advocate of historical cost, strongly opposed to "as-if" or "might-be" accounting.

Halvorson preferred flexible accounting standards or guidelines, allowing accountants and auditors considerable professional judgement in applying the standards. He placed emphasis on the "professionalism" of accountants and auditors. Disturbed by standards overload, he desired fewer and looser standards. Nevertheless, Halvorson did concede that in our contemporary business environment, more standards are needed than used to be so in earlier, simpler circumstances.

Well aware of the significance of research in the standard-setting process, he appeared to view the conceptual framework as "too philosophical" to apply in establishing pragmatic accounting standards. However, he did recognize the importance of considering "economic consequences" in standard setting since accounting data affects business decision making.

Some would say that Halvorson was an arch-conservative, if not a reactionary. Yet, in this time of standards overload, his perspective can be appreciated.

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John Carroll University



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# THE PROGRAM ON THE WRITING OF AN ACCOUNTING HISTORY OF SPAIN

As mentioned in the last issue of the *Notebook*, a meeting was held September 24-26, 1992 in Miraflores de la Sierra (Madrid) to discuss the "Writing of an Accounting History of Spain." During this meeting a new accounting history research commission, the Comision de Estudio de Historia de la Contabilidad de la Asociacion Espanola de Contabilidad y Adminstracion de Empresas was presented.

The program included a wide variety of papers devoted to accounting history in Spain, and a selected number of those papers and authors are listed below for your information.

"Historia de la Contabilidad: Un Inventario," Basil S. Yamey, London School of Economics

"Propuesta de elaboracion de una historia general de la contabilidad," Pierre Jouanique, Groupe de Travail d'Histoire de la Comptabilite de l'Ordre des Experts-Comptables, Paris.

"Problematica general de una historia de la contabilidad en Espana," Esteban Hernandez Esteve, Banco de Espana.

"Problemas y puntos destacados de una historia de las practicas contables de la banca privada barcelonesa en los siglos XII, XIV, y XV," Rafael Conde y Delgado de Molina, Director del Archivo de la Corona de Aragon.

"Los libros de cuentas de las Taules de Canvi i

Comuns Diposits, institucions municipales de banca catalano-aragonesas de finales de la Edad Media y comienzos de la Edad Moderna," Josep Maria Passola.

"Panorama historico de las fuentes de la historia de la contabilidad en Espana, siglos XII (Espana cristiana) al XVIII," Jose Maria Gonzalez Ferrando.

"Problemas de la contabilidad a partir de las companias mercantiles de Indias, siglos XVI-XVIII," Antonio Miguel Bernal, Universidad de Sevilla.

"La contabilidad en la Administracion virreinal americana," Rafael Ramos Cervero, Universidad de Valladolid.

"La contabilidad en las instituciones civiles, eclesiales y vinculadas, siglos XV y XVI," Fernando Martin Lamouroux, Universidad de Salamanca.

"Problemas de eficiencia y control en la contabilidad espanola preindustrial," Salvador Carmona, Universidad Carlos III de Madrid.

"Problematica de una historia de la contabilidad espanola del siglo XX," Enrique Fernandez Pena, Escuela Universitaria de Ciencias Empresariales de Madrid.

"Experiencias de un historiador economico en el manejo de las fuentes contables," Filipe Ruiz Martin, Universidad Autonoma de Madrid.



## THOUGHTS FROM THE PAST!

*"History would be an excellent thing if only it were true." – Leo Tolstoy*

*"'History repeats itself' and 'History never repeats itself' are about equally true . . . We never know enough about the infinitely complex circumstances of any past event to prophesy the future by analogy." – George Macaulay*



*Scrip: continued from page 7*

was passed which absolutely prohibited company stores associated with mining and manufacturing firms. This law was far from effective, however, as companies simply evaded the bill by incorporating the company stores as separate entities. In 1901, another effort to halt the abuses of company stores in Pennsylvania was made. The Store Order Act of that year was an attempt to tax company stores out of existence (Johnson 1952).

Legislation was enacted in other states which was aimed at correcting what many considered a blight on the country's industrial character. By 1933, thirty-two states had passed legislation concerning company stores in an effort to control, limit, or forbid such operations. The results of such legislation were mixed at best (Johnson 1952).

In 1934, the abusive practices of the company store system received organized national attention. On March 16, 1934, a special committee was appointed by the National Recovery Administration specifically for the purpose of investigating abuses when wage payments were made in other than lawful currency. The committee determined that company scrip was discounted by merchants and stores in the same area as the company at rates ranging from 10% to 30%. Further, company stores charged from 2.1% to 10.4% more for merchandise than did competing stores (Committee 1934). Although no national legislation was passed with respect to this committee report, the national attention did appear to cause changes for the better with respect to some of the more abusive practices. Subsequent legislative and legal actions did eventually resolve the abusive practices of the company store

system (Johnson 1952).

### Summary

The company store system and scrip payment practices coexisted with the legal monetary system in this country as late as the mid-twentieth century. Scrip payment practices served as alternative money systems on a local geographic scale. Due to this system, large numbers of corporate employees suffered the indignities of restricted opportunity and paternalistic control. As the National Recovery Administration committee determined, paternalism as a practice was dubious in its merits and acceptability. Predictably, the abuses evidenced in company stores contributed to the demise of the company town, and the paternalistic practices of the nineteenth and early twentieth centuries.

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